the transfer is valid." *Valente-Kritzer Video* v. *Pinckney*, 881 F.2d 772, 775 (CA9 1989); see *Magnuson* v. *Video Yesteryear*, 85 F.3d 1424, 1428-29 & n.1 (CA9 1996) (acknowledging that "a prior oral grant that is confirmed by a later writing becomes valid as of the time of the oral grant").

The Fifth Circuit, by contrast, has now held that, outside of a third-party infringement action, a posttransfer writing does not satisfy §204(a). Pet. App. 9a. The court of appeals dismissed decisions from the Second, Seventh, and Ninth Circuits as "not relevant" because, in those cases, "the party challenging the writing has been an alleged infringer who is an outsider to the deal." *Ibid.* (citing *Billy-Bob Teeth*, 329 F.3d, at 590; *Magnuson*, 85 F.3d, at 1427; *Eden Toys*, 697 F.2d, at 30-31). The court of appeals's third-party limitation not only flouts the plain language and purpose of §204(a), but also injects confusion into copyright law by setting a more stringent standard than applied in other circuits.

Although most of the decisions to consider the adequacy of a posttransfer writing have arisen in the context of a third-party challenge to the license, the Second, Seventh, Ninth, and Eleventh Circuits have not limited §204(a) in this way. The Ninth Circuit has recognized that a postdeal "note or memorandum" can satisfy §204(a) in a direct contractual dispute between the transferor and the transferee of the copyright. *Valente-Kritzer Video*, 881 F.2d, at 775. Moreover, even in cases involving third-party attempts to invoke §204(a), courts' interpretations of the statute have not been limited to the facts of those cases. In *Billy-Bob Teeth*, for example, the Seventh Circuit mentioned the third-party challenge merely as an additional reason to reject the §204(a) defense. 329 F.3d, at 592-93. Similarly, the Eleventh Circuit's decision in *Arthur Rutenberg Homes*, although referencing the third-party nature of the dispute, rested its decision on a more general congressional-intent rationale—that a posttransfer memorandum is valid because §204(a) was spe-

cifically crafted to allow for the written confirmation of a prior oral agreement. 29 F.3d, at 1533. The Second Circuit in *Eden Toys* likewise revealed that the case involved a third-party challenge but more broadly held that "the [§204(a)] requirement is satisfied by the copyright owner's later execution of writing which confirms the agreement" 697 F.2d, at 36.

The Fifth Circuit's conclusion that a "note or memorandum" of a copyright transfer must ´e contemporaneous with the agreement itself is not only unsupported by the statutory language, but also is at odds with decisions of the Second, Seventh, and Eleventh Circuits, which have correctly concluded that the statute's plain language does not require the "note or memorandum" to be executed at the time of the transfer. Rather, "[a]s the statute indicates, an oral assignment may be confirmed later in writing." *Billy-Bob Teeth*, 329 F.3d, at 591.

Additional confusion results from inconsistent Ninth Circuit decisions on the timing aspect. In between two decisions holding that a posttransfer writing can validate a prior agreement in both the contractual and third-party settings, *Magnuson*, 85 F.3d, at 1428 & n.1; *Valente-Kritzer Video*, 881 F.2d, at 775, the Ninth Circuit stated that a confirmatory writing must be "substantially contemporaneous" with the copyright transfer. *Konigsberg Int'l, Inc.* v. *Rice*, 16 F.3d 355, 357 & n.3 (CA9 1994). Later, recognizing that no such timing requirement is contained in the statute, the Ninth Circuit dismissed *Konigsberg*'s "substantially contemporaneous" language as "dicta." *Magnuson*, 85 F.3d, at 1428 & n.1. This reading of §204(a) more accurately reflects Congress's creation of two distinct means of satisfying the writing requirement for exclusive licenses: a formal "instrument of conveyance, *or* a note or memorandum of the transfer," 17 U.S.C. §204(a) (emphasis added), the latter of which inherently contemplates that the transfer may have already occurred at the time of the writing.

Indeed, the Eleventh Circuit has correctly observed that Congress created the alternative, informal "note or memorandum" option specifically to allow parties to validate an agreement after the fact. See *Arthur Rutenberg Homes*, 29 F.3d, at 1533. In doing so, Congress sought to carry forward a judge-made rule under the predecessor to the Copyright Act of 1976 that allowed parties to validate a prior oral agreement with a later executed writing. *Ibid* (explaining that the "note or memorandum" provision "'apparently codifies the judge made rule under the 1909 Act that if a prior oral grant is subsequently confirmed in writing, this will validate the grant *ab initio* as of the time of the oral grant'") (quoting *Great S. Homes, Inc.* v. *Johnson & Thompson Realtors*, 797 F.Supp. 609, 612 (MD Tenn. 1992)); 3 M. NIMMER & D. NIMMER, NIMMER ON COPYRIGHT §10.03[A][3] (2005) (same). Nothing in the statute limits a copyright owner's ability to validate an agreement after the transfer to cases involving third-party infringement actions. And the Fifth Circuit provided no principled basis for restricting the statute in this way.

In third-party challenges and transferor-transferee disputes alike, the Copyright Act's "paramount goal" of "enhanc[ing] predictability and certainty of copyright ownership," *Cmty. for Creative Non-Violence*, 490 U.S., at 749, is equally served by either a contemporaneous or posttransfer "note or memorandum" executed by the transferor. Under §204(a), it is the copyright owner's written confirmation of the transfer—not the timing of the writing—that is material, because "the purpose of the provision is to protect copyright holders from persons mistakenly or fraudulently claiming oral licenses." *Eden Toys*, 697 F.2d, at 36; see also *Billy-Bob Teeth*, 329 F.3d, at 592 (quoting *Imperial Residential Design, Inc.*, 70 F.3d, at 99 (emphasis added)). The danger of a fraudulently claimed license does not exist when the copyright owner has acknowledged and memorialized the transfer, regardless when that writing occurs.

Similarly, Congress's goal of promoting "certainty of ownership" is served by a copyright owner's memorandum—whether filed internally or communicated to the transferee. Again, in either scenario, the writing itself is what matters because it reflects the voluntary and intentional nature of the copyright owner's transfer of exclusive rights. See *Billy-Bob Teeth*, 329 F.3d, at 592; *Eden Toys*, 697 F.2d, at 36. Accordingly, the policy goal of "predictability of ownership," Pet. App. 12a, cannot justify the Fifth Circuit's decision to engraft a supplemental communication requirement not contemplated by the plain text of §204(a). Congress specified the means by which it wanted to achieve that goal—the two writing options set forth in §204(a)—and no principled basis exists to vary those terms whenever a suit involves a transferor-transferee dispute rather than a third-party challenge.

. The court of appeals's revisionist requirements set it apart from the other circuits to address this question, including the Second, Seventh, Ninth, and Eleventh Circuits. Because this division among the circuits heightens the risk of disparate treatment and forum shopping, thwarting the national "copyright marketplace" contemplated by Congress under the 1976 Copyright Act, *Cmty. for Creative Non-Violence*, 490 U.S., at 740, 749, the Court should grant the petition and resolve the confusion over the construction of §204(a).

II. The Split in the Circuits Regarding the Proper §204(a) Standard Is an Important Federal Question That the Court Should Decide.

The "paramount" goal of the Copyright Act is to enhance certainty and predictability of copyright ownership, *id.*, at 749, but the court of appeals's extratextual requirements defeat, not further, that objective.

The court of appeals created a dual standard that varies according to the procedural posture of the case, based on a distinction not contained in the plain language of the statute.

The same writing that would satisfy §204(a) in a third-party infringement case is insufficient in direct litigation between the transferor and transferee because of the timing of the "note or memorandum." There is no possible justification for a rule that would insulate a copyright license from third-party challenge, but permit the transferor to disclaim the license and assert that the transferee is an infringer. This fluctuating standard undermines Congress's goal of promoting certainty of copyright ownership by illogically weakening the statute's protection solely for the party that needs it most—the party who has paid consideration for the exclusive license and performed under the agreement. A single, uniform §204(a) standard is critical to ensure that parties nationwide can enter into enforceable copyright transactions that protect their settled expectations.

Moreover, as a result of the disagreement among the circuits, there is uncertainty regarding the nature of the writing needed to satisfy the "note or memorandum" requirement to transfer an exclusive copyright license. In the Fifth Circuit, contrary to the decisions of the Second, Seventh, Ninth, and Eleventh Circuits, outside of a third-party infringement action, a posttransfer writing does not satisfy §204(a). Consequently, a transferee who in one jurisdiction would possess valid rights may find itself in another jurisdiction potentially liable as an infringer. The Fifth Circuit's extratextual requirements have therefore disrupted Congress's "paramount goal" of predictability through national uniformity in copyright law. See *Cmty. for Creative Non-Violence*, 490 U.S., at 740, 749.

In addition to the general policy goals of the Copyright Act, Congress enacted §204(a) to "broaden[] and liberalize[]" the means available to validate agreements transferring copyright licenses. H.R. No. Rep. 94-1476, p. 128, reprinted in 1976 U.S.C.C.A.N., at 5744. That is, Congress did not intend for §204(a) to be a super-restrictive qualification on an agreement to transfer an exclusive copyright. To the

contrary, Congress sought to relax the requirement under the predecessor to §204(a) that permitted a party to assign a copyright only by "an instrument in writing." Copyright Act of 1909, ch. 320, §42, 35 Stat. 1084 (1909) ("[C]opyright secured under this or previous Acts of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright . . . ."). Section 204(a) now makes clear that a rights owner can validate the transfer of an exclusive copyright license with either "an instrument of conveyance" or a confirmatory "note or memorandum of the transfer." 17 U.S.C. §204(a). Thus, §204(a) "validates, as an alternative to an instrument of conveyance, 'a note or memorandum of the transfer.'" NIMMER, *supra*, at §10.03[A][3] (quoting §204(a)).

The liberalization of the writing requirement is evidenced by Congress's explicit decision to include "note or memorandum" as an alternative to the more formal "instrument of conveyance" and to allow parties to validate oral agreements after the fact. See 17 U.S.C. §204(a); *Arthur Rutenberg Homes*, 29 F.3d, at 1533; NIMMER, *supra*, at §10.03[A][3]. As Congress intended, §204(a) does not contain a stringent writing requirement but instead reflects a reasoned policy judgment that parties should have a variety of means at their disposal to validate a copyright transfer, including the use of a short statement of the fact of the agreement set forth in a posttransfer confirmatory writing. See *Radio Television Espanola S.A.* v. *New World Entm't, Ltd.*, 183 F.3d 922, 927 (CA9 1999) ("No magic words must be included in a document to satisfy § 204(a)."); *Effects Assocs., Inc.* v. *Cohen*, 908 F.2d 555, 557 (CA9 1990) ("It doesn't have to be the Magna Charta; a one-line pro forma statement will do."); see also NIMMER, *supra*, at §10.03[A][2] ("[E]ven though a written instrument may lack the terms 'transfer' and 'copyright,' it still may suffice to evidence their mutual intent to transfer the copyright interests.").

The Fifth Circuit's rule, contrary to Congress's intent, would bar enforcement of an agreement that is later documented by a confirmatory memorandum prepared and signed by the transferor but not communicated to the transferee. The court of appeals's decision thus defeats the broadening of the writing requirement Congress sought to achieve by empowering courts to declare agreements invalid on a variety of grounds not enumerated in the statute. Under the court of appeals's rigid standard, agreements under which the parties have performed for years are subject to invalidation if documented in any form other than a formal contract or "instrument of conveyance." A copyright owner's subsequent memorialization of the agreement for its own files does not suffice, however detailed it may be, if the memorandum was not contemporaneously recorded and communicated to the transferee. By limiting the application of §204(a)'s broader "note or memorandum" standard to third-party disputes and by interjecting a communication requirement, the court of appeals's decision unjustifiably thwarts Congress's goal of establishing a flexible writing requirement that seeks to validate, not undo, the transfer of exclusive copyright licenses.

The consequences of the Fifth Circuit's decision are dramatic. The court has created a barrier to enforcement of license agreements by limiting the avenues available to validate the transfer of an exclusive copyright license. This approach does not further Congress's goal in enacting §204(a) but instead makes copyright ownership less certain. Moreover, under the court of appeals's opinion, even when parties exchange extensively detailed documents, enter into an agreement, and the transferor later confirms that agreement in writing, the transferee may find itself outside the protection of a statute designed to enlarge the means available to validate copyright transfers. To ensure that ownership of copyright licenses is certain and predictable and in accordance with the "broadened and liberalized" writing requirement under §204(a), the Court should grant the petition,

resolve the circuit split, and establish a uniform standard under §204(a) that is consistent with both the plain language of the statute and Congress's intent.

CONCLUSION

The Court should grant the petition.

Respectfully submitted,

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APPENDIX

UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

[Filed August 5, 2005]

No. 03-10837

D.C. Docket No. 3:02-CV-34-M

LYRICK STUDIOS INC.,
Plaintiff-Counter Defendant-Appellee,

v.

BIG IDEA PRODUCTIONS INC.,
Defendant-Counter Claimant-Appellant.

Appeal from the United States District Court
for the Northern District of Texas, Dallas

Before SMITH, DENNIS, and PRADO, Circuit Judges.

JUDGMENT

This cause was considered on the record on appeal and was argued by counsel.

It is ordered and adjudged that the judgment of the District Court is reversed, and the cause is remanded to the District Court for further proceedings in accordance with the opinion of this Court.

IT IS FURTHER ORDERED that appellee pay to appellant the costs on appeal to be taxed by the Clerk of this Court.

ISSUED AS MANDATE: Nov. 2, 2005

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

[Filed August 5, 2005]

No. 03-10837

LYRICK STUDIOS, INC.,
Plaintiff-Counter Defendant-Appellee,

v.

BIG IDEA PRODUCTIONS, INC.,
Defendant-Counter-Claimant-Appellant.

Appeal from the United States District Court
for the Northern District of Texas

Before SMITH, DENNIS and PRADO, Circuit Judges.

PRADO, Circuit Judge:

Appellee Lyrick Studios, Inc. ("Lyrick") contends that appellant Big Idea Productions, Inc. ("Big Idea") breached their agreement under which Big Idea provided Lyrick with an exclusive license to distribute children's cartoon programs. Lyrick sued over this breach, and the jury found in its favor. Big Idea appeals, arguing that Lyrick cannot satisfy the requirement that all transfers of copyright (such as exclusive licenses) must be in writing and signed by the transferor. Because there is no sufficient writing here, we reverse the judgment.

Phil Vischer founded Appellant Big Idea Productions, Inc. to finance and market "VeggieTales," a computer-animated Christian-themed children's cartoon he created, featuring the characters Bob the Tomato and Larry the Cucumber. Originally, Big Idea independently distributed VeggieTales to

members of an organization called the Christian Bookstores Association ("CBA"). The programs were successful, and Big Idea eventually entered into a contract with a third party to distribute to the CBA. VeggieTales' sales continued to grow.

With this success, Big Idea wanted to sell its products to a larger audience. To do this, Big Idea began negotiating with Lyrick Studios, which had experience with its own successful children's programs. In February 1997, Tim Clott, Lyrick's CEO, sent Big Idea the first of three documents that are critical to this case. This document was a proposal for distribution of VeggieTales to the "general marketplace." It ended with the caveat that "for both of our protection, no contract will exist until both parties have executed a formal agreement." Big Idea's vice president of licensing and development, Bill Haljun, sent the second critical document—a fax that listed several issues still to be decided. The next day, the parties discussed the issues in a phone call and agreed to resolve them. Haljun faxed Clott a few days later, noting that "Phil is ecstatic."

Shortly afterwards, Lyrick prepared a 16-page contract. This draft agreement was never signed. In fact, several draft contracts (and suggested revisions to the drafts) were sent back and forth over the years. There were several sticking points, including DVD distribution rights, rights to stuffed animals, the possibility of a "key man" provision, and even the term of the contract. The parties agree that no formal "long-form" contract was ever signed.

Despite lacking a formal signed contract, in March 1998, Lyrick began distributing VeggieTales videocassettes. The cassettes were immediately successful; both parties made a significant profit from the relationship.

The negotiations over a written contract continued until June 1999, when the fourth and final draft was prepared by

Lyrick. Like the other drafts, this one was never signed. At some point around this time, the parties' relationship became strained. One point of contention involved the rights to stuffed animals, or as the parties referred to them, plush. The parties eventually signed an agreement ("the plush letter") transferring plush rights in VeggieTales from Lyrick to Big Idea.

In March 2001, Lyrick was acquired by HIT Entertainment, a London-based children's entertainment company, but it continued to distribute VeggieTales. In December 2001, Big Idea informed Lyrick that it was going to use a new distributor. In response, Lyrick sued Big Idea.

This lawsuit is primarily based on Lyrick's claims that Big Idea breached its exclusive license/distribution agreement by entering into an agreement with the new distributor. During discovery, Big Idea produced a document that Lyrick now contends is the third crucial document—a November 1997 internal memorandum by Bill Haljun. Haljun wrote this memo in response to a Big Idea employee's question about the 10-year term with Lyrick. In his memo, Haljun replied that "[w]e agreed over the phone to his contract . . . . I would say that we have an agreement in force." Lyrick had not seen this internal memorandum before litigation.

The case proceeded to trial. After the close of Lyrick's evidence, Big Idea moved for judgment as a matter of law, arguing that any contract for an exclusive license of a copyrighted work, such as VeggieTales, had to be in writing. The district court denied this motion, and the case went to the jury. The jury found that there had been a contract and that Big Idea had breached it. As a result, the jury awarded Lyrick damages of $9,071,973 for lost profits on videocassettes and DVDs. The district court entered judgment for this amount, along with $750,000 in attorney's fees. The judgment amount also included $14,540 in damages for breach of the plush letter; Big Idea agreed to this $14,540

award before trial and does not appeal it. The court also permitted Lyrick to collect on a $500,000 bond Big Idea posted when it obtained a preliminary injunction preventing Lyrick from distributing VeggieTales products. Big Idea now appeals the district court's denial of its motion for judgment as a matter of law. We review this ruling de novo. *Arsement v. Spinnaker Exploration Co., LLC*, 400 F.3d 238, 248 (5th Cir. 2005). Judgment as a matter of law is proper when "there is no legally sufficient basis for a reasonable jury to find for [a] party on [an] issue." Fed. R. Civ. P. 50(a)(1).

Under § 204(a) of the Copyright Act, "[a] transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a). A grant of an exclusive license is considered a "transfer of copyright ownership." 17 U.S.C. § 101 (2005). Section 204(a)'s requirement, while sometimes called the copyright statute of frauds, is in fact different from a statute of frauds. *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994). Rather than serving an evidentiary function and making otherwise valid agreements unenforceable, under § 204(a) "a transfer of copyright is simply 'not valid' without a writing." *Id.* The writing in question "doesn't have to be the Magna Charta; a one-line pro forma statement will do." *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990). Nor does the writing have to contain any particular language. *Radio Television Espanola S.A. v. New World Entm't, Ltd.*, 183 F.3d 922, 927 (9th Cir. 1999) ("No magic words must be included in a document to satisfy § 204(a)."). It must, however, show an agreement to transfer copyright. *Id.; see also Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 564 (2d Cir. 1995).[1] An after-the-fact writing can

[1] In *Playboy*, the Second Circuit held that a statement reading "payee acknowledges payment in full for the assignment to Playboy Enterprises,

validate an agreement from the date of its inception, at least against challenges to the agreement by third parties. *Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003); *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1429 (9th Cir. 1996); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1995); *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 36 (2d Cir. 1982). The parties both agree that the issue whether the parties' undisputed writings satisfy § 204(a) is one of law. *Cf. Television Espanola*, 183 F.3d at 924 (deciding the issue on a motion for summary judgment); *Konigsberg*, 16 F.3d at 356 (deciding the issue on a motion to dismiss).

The writing requirement serves several purposes. First, it ensures that a copyright will not be inadvertently transferred. *Effects Assocs.*, 908 F.2d at 557. Second, it "forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price." *Id.* Third, it provides a guide for resolving disputes; the parties can look to the writing to determine whether a use is improper. *Id.* In this way, the writing requirement "enhances predictability and certainty of copyright ownership—'Congress'[s] paramount goal' when it revised the [Copyright] Act in 1976." *Id.* (quoting *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989)).

Here the parties dispute whether Big Idea and Lyrick have a writing that meets § 204(a)'s requirement. Lyrick contends that § 204(a) is satisfied with a series of documents—the letters between Haljun and Clott and the internal Haljun memorandum. Big Idea responds that the letters were just

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Inc. of all right, title and interest in and to the following items: [a description of a painting followed]" was insufficient to transfer copyright under § 204(a). 53 F.3d at 560.

proposals and never showed a final agreement. Big Idea also argues that Haljun's internal memo is not the kind of writing that can satisfy § 204(a).

Resolving this issue requires us to examine the documents. In the first document—the February 1997 letter from Tim Clott of Lyrick to Bill Haljun of Big Idea—the opening paragraph describes the letters contents as "our proposal." The rest of the letter sets out provisions such as territory, term, rights,[2] products, and the distribution of proceeds. The final paragraph contains some critical language: "If the above terms are acceptable to you we will begin drafting a formal agreement. (Of course, for both of our protection, no contract will exist until both parties have executed a formal agreement.)"

The second document that Lyrick relies on is Bill Haljun's faxed response. The cover sheet for this fax states, "Here is our agreement to proceed and the remaining issues and understandings which we need to resolve prior to signing a formal document." The faxed letter reads, in part, "We agree to proceed to formalize this relationship as quickly as possible with binding agreements, subject to the following clarifications and additions. Hopefully, we can resolve these issues promptly and begin the selling process . . . with the July trade show." A list of changes and proposals followed.

The final document is an internal memorandum written by Haljun in November 1997, over six months after his fax and directly responding to a concern about the proposed 10-year term. It describes the parties' negotiations and indicates that, "We agreed over the phone to his contract and thanked him

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[2] Although the "rights" section discussed distribution of Big Idea programs, Lyrick's letter did not actually state that the licensing rights were exclusive. An express exclusive license provision does not appear until the draft long-form contracts. These long-form contracts were never signed, and Lyrick does not rely on them.

very much." In recalling the discussions, Haljun indicates that Big Idea requested a minimum volume term, but Lyrick did not accept it. Continuing, the memo states that Big Idea suggested some revisions to the draft long-form contract and that Lyrick had not yet responded to those revisions. The memo concludes with language that Lyrick finds critical:

> Net of all this—when we told Tim Clott we accepted his proposal and we would go forward on that basis, and they have printed catalogs, represented our products and gotten them on television, designed plush, and paid for some research, I would say that we have an agreement in force.

This memo was never sent to Lyrick. In fact, Lyrick saw it for the first time during discovery.

Lyrick contends that these three documents constitute a sufficient written agreement. This assertion raises two primary issues. First, do the first two faxes indicate that they are preliminary in nature or do they contain an actual contract? Second, can Haljun's internal memorandum constitute a "a note or memorandum of the transfer?"

The two 1997 faxes, standing alone, do not show that the parties entered into a final agreement to provide Lyrick with an exclusive license to distribute VeggieTales programs. The February fax from Lyrick indicates that it is a proposal. More importantly, it expressly states, "Of course, for both of our protection, no contract will exist until both parties have executed a formal agreement." Big Idea's fax in response also indicates a lack of finality, providing that, "We agree to proceed to formalize this relationship as quickly as possible with binding agreements." This statement indicates that the fax itself is not a binding agreement. Section 204(a) requires some language of finality. *Radio Television Espanola*, 183 F.3d at 928. Finally, the continuing debate over the draft long-form contracts concerned some of the terms in the 1997

faxes (such as the term and the actual products to be distributed), which further shows that the faxes were not final contracts.

Lyrick attempts to cure these problems by turning to the internal Haljun memo. Lyrick argues that "[i]f a writing *executed* after litigation has commenced is sufficient to satisfy Section 204(a), a writing executed shortly after the agreement was reached but *communicated to* the transferee after litigation has commenced should also be sufficient . . . ." Lyrick thus tries to fit this case in the line of cases where a post-transfer writing has met § 204(a)'s requirements. We initially note that when courts have found the post-deal writing sufficient, the party challenging the writing has been an alleged infringer who is an outsider to the deal. *Billy-Bob Teeth*, 329 F.3d at 590 (rival novelty tooth manufacturer); *Magnuson*, 85 F.3d at 1427 (unauthorized distributor); *Eden Toys*, 697 F.2d at 30-31 (manufacturer of a nightshirt with a similar print to licensed one); *Kaplan Co., Inc. v. Panaria Int'l, Inc.*, No. 96-Civ.-7973, 1998 WL 603225, at *2 (S.D.N.Y. Sept. 11, 1998) (infringing third-party manufacturer). In that situation, courts are hesitant to allow an outside infringer to challenge the timing or technicalities of the copyright transfer. *See Billy-Bob Teeth*, 329 F.3d at 592-93; *Magnuson*, 85 F.3d at 1428-29; *Eden Toys*, 697 F.2d at 36. That situation is different from the situation here, where the parties to the alleged contract disagree about whether a valid agreement actually exists. Thus, the analysis in these cases does not apply here, and the cases themselves are not relevant.

On the other hand, two Ninth Circuit cases are relevant, each for different reasons. One, *Konigsberg International, Inc. v. Rice*, addresses a post-transfer letter in the context of a dispute between the parties to the alleged contract. 16 F.3d 355 (9th Cir. 1994). The other, *Radio Television Espanola S.A. v. New World Entertainment, Ltd.*, concerns a purely internal memorandum that was not provided to the other

party to the alleged transfer until litigation. 183 F.3d 922 (9th Cir. 1999).

In *Konigsberg,* two movie producers entered into an oral agreement with the author Anne Rice. 16 F.3d at 356. Under this agreement, Rice would create a story, called a "bible," that "could form the basis for derivative works in various entertainment media." *Id.* Rice would then write a novel based on the bible and the producers would have two years of movie and television rights, with an option to extend. *Id.* A written contract was never signed, although Rice delivered the bible and in exchange received $50,000 from the producers. *Id.* Rice then wrote a successful novel, *The Mummy*, based on the bible, but the producers were not able to exercise their rights. *Id.* The producers claimed that Rice refused their attempts to exercise their option to extend. Therefore they sued. *Id.* The district court dismissed the case because there was no writing that satisfied § 204(a). *Id.* Rice then sent the producers' lawyer a letter stating, "[A]s far as I am concerned, these contracts, though never signed, were honored to the letter." *Id.* The producers tried to use this letter to reopen the case, arguing that this letter met § 204(a)'s writing requirements. *Id.*

The Ninth Circuit disagreed. It determined that Rice's letter was not a sufficient writing:

> Rice's letter was written three and a half years after the alleged oral agreement, a year and a half after its alleged term would have expired and 6 months into a contentious lawsuit. Thus, it was not substantially contemporaneous with the oral agreement. Nor was it a product of the parties' negotiations; it came far too late to provide any reference point for the parties' license disputes. In short, Rice's letter—though ill-advised—was not the type of writing contemplated by section 204

> as sufficient to effect a transfer of the copyright to THE MUMMY.

Id. at 357. Here, the document is more contemporaneous, entered into during the course of the parties' exchange of the long-form contracts. But *Konigsberg* shows, however, that not all documents referring to the existence of a contract, or even admitting that an agreement existed, will constitute a sufficient note or memorandum of transfer.

Radio Television Espanola is much closer to the situation here. There a television company, Television Espanola, negotiated an exclusive license with a distributor for certain programs. *Radio Television Espanola*, 183 F.3d at 925. Afterwards, the distributor's negotiating agent drafted and signed an internal memo that listed the terms of the agreement. *Id.* This memo noted that the television company was to prepare the contracts. *Id.* Following this memo, the parties exchanged many letters, faxes, and memos, but never signed a contract. *Id.* Trying to overcome the lack of a formal signed contract, Television Espanola pointed to several different documents it claimed satisfied § 204(a). The first was a fax in which one of the distributor's executives referred to a deal between the parties. *Id.* at 927. The court concluded that this fax did not satisfy the writing requirement:

> Surely, the fax references a deal, but it does not specify anything about that deal or whether that deal is for an exclusive license for the program or for other broadcast rights. A mere reference to a deal without any information about the deal itself fails to satisfy the simple requirements of § 204(a). Without more, the comment in the Garcia fax is merely a part of negotiations rather than an "instrument of conveyance" or "memorandum of the transfer."

Id. (citation omitted). The second document that Television Espanola relied on was also a fax. *Id.* This fax, also from

the distributor, discussed delivering episodes and concludes "[w]ith nothing further at this time, awaiting the contracts." *Id.* The court concluded that this fax, too, failed to satisfy § 204(a). *Id.* The court noted that the fax did not discuss the exclusive license and that "The statement that New World is waiting for the contracts 'undercuts the hint of finality' that the fax may otherwise contain." *Id.* at 928 (citing *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 775 (9th Cir.1989)). Finally, Television Espanola claimed that two other documents were sufficient writings. The first document was the distributor's internal deal memo, describing the deal in some detail, including the term and the total fee. *Id.* The second document was a fax from Television Espanola asking the distributor to confirm the contract. *Id.* Yet the court found that these documents, even when taken together with the previous ones, did not contain "language indicating finality." *Id.* Rather, they discussed a pending contract and negotiations. *Id.*

In rejecting Television Espanola's claim, the Ninth Circuit noted an additional reason why the internal deal memorandum was not a sufficient writing. The memo could not have satisfied § 204(a) "because it was never communicated to Television Espanola." *Id.* at 928 n. 6. Again, not all writings will satisfy § 204(a)'s requirements.

In general, this case is similar to *Radio Television Espanola*—preliminary faxes indicated that a contract would be entered into but did not provide a final contract; an internal memo, never intended to be given to the other party, described some of the terms. To be sure, there are also several differences. Haljun's internal memo indicates that he agreed over the phone and that he would say that they had an agreement in force. This is somewhat more final than the internal memorandum in *Radio Television Espanola.* These differences, however, do not change the reasoning or the result.

In the end, we conclude that the faxes themselves do not set out a final signed contract. By their own language, they are part of negotiations: Lyrick's initial fax states that "no contract will exist until both parties have executed a formal agreement." Nor do the faxes satisfy the requirements when combined with Haljun's internal memo. Like the letter in *Konigsberg* and the memo in *Radio Television Espanola,* Haljun's memo is not the kind of memorandum of transfer envisioned by § 204(a). Satisfying § 204(a)'s writing requirement with a purely internal memo that was never intended to be provided to Lyrick would not further the copyright goals of predictability of ownership. *See Effects Assocs.*, 908 F.2d at 557.

Lyrick alternatively argues that the parties acted as if they had a deal for several years, making it unfair for Big Idea to rely on a "hyper-technical" § 204(a) argument. The Ninth Circuit rejected a similar argument in *Konigsberg* when it required a writing even in the face of ample evidence of an agreement, including that Rice had written the bible and had been paid for it. *Konigsberg*, 16 F.3d at 356. Section 204(a) requires a writing. Although Lyrick argues that enforcing this requirement would be unjust, we will not add an exception to the statute.

Attorney's Fees

Lyrick was awarded $750,000 in attorney's fees under TEX. CIV. PRAC. & REM. CODE §38.001, which permits a party to recover its attorney's fees for successful breach of contract claims. Big Idea asks us to reverse this amount and allow Lyrick to recover a reasonable amount to cover the fees for only the breach of the plush letter claim, not the breach of exclusive contract claim.

Lyrick contends that Big Idea stipulated that $750,000 was reasonable amount of attorney's fees and thus the award should stand in full. We read the stipulation differently. In

the parties' pretrial order, Big Idea agreed "that $750,000 is a reasonable and necessary amount for Lyrick to have incurred in the prosecution of its breach of contract *claims* in this action in the district court." (Emphasis added). This stipulation refers to both claims in the aggregate; it says nothing about the reasonable amount of fees for the breach of the plush letter by itself. We will remand the attorney's fees claim to the district court for a determination of a reasonable amount of fees for Lyrick's $14,540 recovery for breach of the plush letter.

Bond

Early in the litigation, Big Idea obtained a preliminary injunction preventing Lyrick from distributing VeggieTales. After trial, the district court determined that this injunction was wrongfully issued and so permitted Lyrick to recover the entire $500,000 bond that been posted by Big Idea when it obtained the injunction. Big Idea now asks for restitution of that amount because the preliminary injunction was not, in fact, wrongfully issued. In response, Lyrick does not argue that restitution is unwarranted if its judgment is reversed. Instead, Lyrick argues that Big Idea does not have standing to request restitution; it contends that only the surety can seek this relief. Therefore, Lyrick asserts that a claim for restitution of the bond amount can only proceed in a separate lawsuit brought by the surety.

Federal Rule of Civil Procedure 65(c) requires an applicant seeking a preliminary injunction to give security. If the party chooses to provide security through a bond, Rule 65.1 places certain requirements on sureties providing that bond. First, each surety is required to submit to the court's jurisdiction. FED. R. CIV. P. 65(c). Additionally, "[t]he surety's liability may be enforced on motion without the necessity of an independent action." *Id.* Lyrick was willing to enforce the surety's liability in just this way. It would be inconsistent to permit Lyrick to recover the bond amount from the surety

without filing a separate action but then, when Lyrick loses on appeal, to require the surety to bring a separate lawsuit for restitution of the same bond amount. Further, the surety already submitted to the court's jurisdiction when it posted the bond. Therefore, we vacate the order allowing Lyrick to execute on the bond and remand.

Conclusion

For these reasons, we reverse the judgment of the district court, vacate the order permitting Lyrick to execute on the bond, and remand for consideration of attorney's fees and entry of an order for restitution of the bond.

REVERSED AND REMANDED.

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

[Filed Oct. 25, 2005]

No. 03-10837

LYRICK STUDIOS INC.,
Plaintiff-Counter Defendant-Appellee,

v.

BIG IDEA PRODUCTIONS INC.,
Defendant-Counter Claimant-Appellant.

Appeal from the United States District Court
for the Northern District of Texas, Dallas

ON PETITION FOR REHEARING EN BANC

(Opinion 8/5/05, 5 Cir., _____, _____F.3d ____)

Before SMITH, DENNIS, and PRADO, Circuit Judges.

PER CURIAM:

(√) Treating the Petition for Rehearing En Banc as a Petition for Panel Rehearing, the Petition for Panel Rehearing is DENIED. No member of the panel nor judge in regular active service of the court having requested that the court be polled on Rehearing En Banc (FED. R. APP. P. and 5th CIR. R. 35), the Petition for Rehearing En Banc is DENIED.

( ) Treating the Petition for Rehearing En Banc as a Petition for Panel Rehearing, the Petition for Panel Rehearing is DENIED. The court having been polled at the request of one of the members of the court and a majority of the judges who

are in regular active service not having voted in favor (FED. R. APP. P. and 5th CIR. R. 35), the Petition for Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ Edward C. Prado
United States Circuit Judge

Judges King, Higginbotham, Benavides, and Clement did not participate in the consideration of the rehearing en banc.

REHG-6a

UNITED STATES CODE
TITLE 17. COPYRIGHTS
COPYRIGHT OWNERSHIP AND TRANSFER

§ 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

(b) A certificate of acknowledgement is not required for the validity of a transfer, but is prima facie evidence of the execution of the transfer if—

(1) in the case of a transfer executed in the United States, the certificate is issued by a person authorized to administer oaths within the United States; or

(2) in the case of a transfer executed in a foreign country, the certificate is issued by a diplomatic or consular officer of the United States, or by a person authorized to administer oaths whose authority is proved by a certificate of such an officer.

November 6, 1997

To: Ben Howard

Cc: Phil Vischer

From: Bill Haljun

Re: Lyrick History

Following this memo will be the letter which we sent Tim Clott, C.E.O. of Lyrick studios in answer to their shortform contract proposal. Phil and I reviewed this letter before it was sent. We decided after a phone conversation with Gene Silverman, consultant to Lyrick, that rather than ask for an advance of $250,000, we would ask for some kind of an advance to help us get through the summer.

After we faxed this letter to Tim, Tim called us and we discussed the issues over the phone. Tim agreed to all the points and suggested an advance of $100,000. At the time, we asked Tim why so long an agreement, five years and five if they do $5 million in revenue. His response was they believed in the product, they would be making an investment in seeing that the product succeeds, and if we are rewarded significantly, they should have another five years to reap the benefits of their work. We agreed over the phone to his contract and thanked him very much.

Later, much later, Jim Vogler asked us to request some minimum volumes each year in order to assure ourselves that Lyrick is not just tying up our product for five years. I faxed some volume numbers to Tim which were quite small. At VSDA, Tim said he would not agree to any minimum's because he did not have control over the marketing budget. We set the budget, so he could not be responsible for volume goals.

They then issued the long form, and Sigler and I have spent time on the response which has been with Lyrick for about a month now with no response yet. However, given the fact that we took two months to respond to their longform, they aren't late.

Net of all this - when we told Tim Clott we accepted his proposal and we would go forward on that basis, and they have printed catalogs, represented our products and gotten them on television, designed plush, and paid for some research, I would say that we have an agreement in force. It made sense to us at the time. And I still think it does. Let's talk if you have an issue with this.

Bill

21a

Lyrick Studios

February 18, 1997

Mr. Bill Haljun
Big Idea Productions
5135 N. Ravenswood
Chicago, IL 60640

Dear Bill:

I am very pleased to send you our proposal for distribution of Big Idea Productions' programs to the general marketplace.

Territory—The Unites States, its territories and possessions and Canada.

Term—Five (5) years from first distribution to the General Market. If Lyrick Studios ("LS") remits to Big Idea Productions ("BIP") an amount equal to or greater than $5 million over the five years, the distribution term will be automatically renewed for an additional five years.

Rights—Rights to sell, distribute, sub distribute and sub license the Products in the Territory to the General Marketplace ("General Marketplace" being the non-CBA retail, wholesale and consumer-direct channels of distribution).

Products—The "Products" are the following:

- All videogram and film reproductions of programs owned or controlled by BIP including the series of video programs called "*VeggieTales*" (the "Programs").
- Audio recording reproductions owned or controlled by BIP, including music from the *VeggieTale* programs.
- Plush figures and other figural products ("Plush") based on the Programs.

Marketing--LS will develop marketing and sales plans for the Programs in consultation with BIP. BIP will have final approval of all marketing materials and the marketing budget for each release.

Distribution of Proceeds

Video and Audio

LS will advance manufacturing, marketing and distribution costs related to the distribution of the Programs (the "Costs"). The following will be the distribution of the Net Proceeds ("Net Proceeds" being all amounts billed and collected for video Products sold and not returned):

- First, LS will take a 20% distribution fee based on the Net Proceeds;
- Then LS will recoup all Costs advanced by LS;
- The balance, less a reasonable reserve for returns, will be remitted to BIP.

For video sub distribution and sub licensing the following will apply:

Sub Licensing

- For any sub licenses where the sub licensee bears marketing and manufacturing costs and pays a royalty to LS, LS and BIP will share the royalty in a 50%/50% basis.

Premiums

- Any premium arrangements will require BIP's prior written approval. After deduction of any hard costs incurred by LS, net revenues will be shared 50%/50% between LS and BIP.

Plush and Other Figural Products

- LS will purchase Plush directly from the manufacturer (we expect this to be Gund).

- LS will remit a royalty of 7% of all "Net Sales" (amounts billed and collected by LS, less any discounts, rebates or advertising reimbursements) to BIP.

Payments and Accounting—LS will provide accounting reports by calendar quarter and payments due to BIP for such quarter within 45 days after the close of each calendar quarter.

Catholic Market—In addition, Resources for Christian Living, our affiliated company, is extremely interested in distributing *VeggieTales* to the Catholic market. It is RCL's understanding that the market they serve will be complementary to the CBA market. They currently service approximately 19,000 parishes and 8,000 Catholic schools. In addition, there are a number of Catholic book stores that are not being serviced with your product. They would be very interested in trying to reach an arrangement with you so that your products could be presented at NCEA (the first week of April) and the NCCL (middle of April).

Bill, we are all very excited by the potential of working with you and the Big Idea Productions team. If the above terms are acceptable to you we will begin drafting a formal agreement (Of course, for both of our protection, no contract will exist until both parties have executed a formal agreement). If you have any questions regarding our proposal please call either Gene Silverman or me.

Sincerely,

/s/ Tim

Wednesday, April 23, 1997

Mr. Timothy A. Clott
Lyrick Studios
2435 N Central Expressway
Suite 1600
Richardson, TX 75080-2734

Dear Tim:

We are very excited about the distribution relationship which you proposed to us on February 18 of this year. Ever since our discussions with Richard Leach and the visits we held with you and many of your fine people, we have felt very comfortable about a longterm relationship between our companies.

We agree to proceed to formalize this relationship as quickly as possible with binding agreements, subject to the following clarifications and additions. Hopefully, we can resolve these isues promptly and begin the selling process as Gene proposed with the July trade show.

1. The products will be VeggieTales programs, roughly half-hour in length. Other products such as a VeggieTales feature length video or theatrical production and other characters developed by us in the future outside of VeggieTales are not included at this time. We will certainly look to Lyrick as a resource for distributing these products, should they be developed, but at this time we are not committing to include them in the agreement.

2. We agree to the distribution of proceeds as you outline under Video and Audio with this understanding. We are not skilled enough at this point to evaluate very precisely the quantities to build in order to assure enough sales, while minimizing returns. We understand this arrangement to mean that you will "bank" manufacturing costs for us. Should a return rate occur which exceeds for some period of time, the

revenue that we "earn," Big Idea will not have to come up with the cash. It will simply continue as a liability to Lyrick which is only recoverable from future balances earned through this arrangement.

3. Big. Idea reserves the right to market its video products and plush through its database marketing and internet resources which it is developing.

4. As we discussed by phone in late February, we would like a 10% royalty for our plush, less discounts and rebates. Since this is royalty arrangement, we would like to split the advertising reimbursements 50/50 with Lyrick.

5. Word Entertainment feels that it is selling into the Catholic market at this time. We would gladly facilitate a discussion between Lyrick and Word which might lead to Lyrick's distribution rights in this market. Contractually, we do not feel, however, we can grant this right as it is held by Word. We will have an opportunity in the near future to address this subject with Word as we renegotiate our master agreements with them. Again, I cannot predict the outcome of those negotiations but we will make our best efforts to open up this area for Lyrick.

Lastly, we would like you to consider one additional condition for the beginning of this relationship. As we look to the summer and its inevitable slowing of sales, we have always seen offers for our general market distribution as providing a financial cushion for the vagaries of retailing. We understand and deeply appreciate the longterm benefits of your distribution offer versus the other licensing offers we have received. We would appreciate, however, as a measure of good faith, an advance which would provide some working capital for us during this start up period.

Tim, again we reiterate how impressed we are with the quality of your people and the manner in which you handle your

products. The prospects of this same caring relationship for our products is comforting to all of us. We look forward to a long, close and mutually profitable relationship.

Sincerely,

Bill Haljun
VP Development

cc: Gene Silverman
Phil Vischer
Jim Vogler

(2)

Supreme Court, U.S.
FILED
FEB 27 2006
OFFICE OF THE CLERK

No. 05-932

In The
Supreme Court of the United States

LYRICK STUDIOS, INC.,

Petitioner,

v.

BIG IDEA PRODUCTIONS, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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OR CALL COLLECT (402) 342-2831

CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

RESPONDENT BIG IDEA PRODUCTIONS, INC., is a debtor in a chapter 11 bankruptcy proceeding pending in the Northern District of Illinois, Eastern Division, Case No. 03 B35893, before the Honorable John H. Squires. There are no public companies holding any equity interest in Respondent.

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INTRODUCTION

This is a routine action for breach of contract brought by Lyrick Studios, Inc. ("Lyrick") against Big Idea Productions, Inc. ("BIP") to recover money damages. Lyrick alleged that BIP breached an agreement to grant Lyrick an exclusive license to distribute BIP's copyrighted children's cartoon programs. Because there was no written and signed "instrument of conveyance, or a note or memorandum of the transfer" of any exclusive copyright license as required by Section 204(a) of the Copyright Act, the Fifth Circuit held that Lyrick was not entitled to judgment as a matter of law. *Lyrick Studios, Inc. v. Big Idea Prod., Inc.*, 420 F.3d 388 (5th Cir. 2005).

In reaching this conclusion, the Fifth Circuit found the language of Section 204(a) to be clear and concise. Consistent with the language of the statute and the holding of every other Circuit that had considered this issue, it recognized that to be valid and enforceable an agreement to convey copyright ownership, including an exclusive license to distribute a copyrighted work, had to be set forth in "an instrument of conveyance, or a note or memorandum of the transfer" in writing and signed by the owner of the copyright interest to be conveyed. Therefore, the Circuit Court rejected Lyrick's attempt to convert negotiation correspondence into a final, written agreement that might satisfy the requirements of Section 204(a). Similarly, the Circuit Court rejected Lyrick's theory of transfer by discovery. The court held that an internal BIP memorandum (the "Haljun Memo") did not satisfy Section 204(a) because that internal memorandum (disclosed for the first time in discovery in this case) was not otherwise communicated to Lyrick, was never intended to be shared with Lyrick and its use "would not further the copyright

goals of predictability of ownership." 420 F.3d 388, 396 (Pet. App. 13a).[1]

This Petition for Certiorari followed.

STATEMENT OF THE CASE

Only a few comments need to be added to Lyrick's statement of the case.

The business relationship between Lyrick and BIP started in early 1997 with the exchange of two letters that clearly represented ongoing negotiations among the parties. The Fifth Circuit found that the exchange of the 1997 letters did not satisfy Section 204(a) and did not create a final contract. 420 F.3d at 393 (Pet. App. 8a). Lyrick does not dispute that finding in its Petition.

As negotiations continued, Lyrick prepared its first of four draft contracts and forwarded it to BIP on May 30, 1997. (Tr. Exh. 4A; Slocum 12R, 97-98).[2] By this time Lyrick had already decided that it would sell BIP's children's cartoon videos even though there was no signed, written agreement, because it thought it had an oral agreement on the principal terms of a distribution arrangement. (Clott, 10R, 95-97).

---

[1] As the Fifth Circuit correctly recognized, "not all documents referring to the existence of a contract, or even admitting that an agreement existed, will constitute a sufficient note or memorandum of transfer." 420 F.3d at 394-95 (Pet. App. at 11a).

[2] Citations in this format refer to the volume and page number of the record on appeal in the Fifth Circuit. The citation format is the witness's name, followed by the appellate record volume number, followed by the page and where applicable, line designation.

From May, 1997, through June, 1999, Lyrick prepared and sent to BIP four draft versions of a proposed written, exclusive license agreement for distribution of the "VeggieTales." (Tr. Exh. 4A, Tr. Exh. 7, Tr. Exh. 8A, and Tr. Exh. 9A). None of those drafts was ever signed by BIP or by Lyrick. (Clott, 11R, 94-95; Slocum, 13R, 108-09).

While BIP was waiting for Lyrick's response to BIP's comments to the second draft, a BIP employee in charge of certain aspects of the "VeggieTales" distribution questioned in an internal BIP memo whether Lyrick's proposed ten year term was too long. (Tr. Exh. 122; Vischer, 16R, 109-10). In reply, the November, 1997, Haljun Memo states Haljun's views of the status of the negotiations with Lyrick. (Pet. App. 19a-20a). The Haljun Memo was never intended to be communicated to Lyrick and never was so communicated. Lyrick first obtained a copy of the Haljun Memo during discovery in this action. (Clott, 11R, 26, 91-92). After the Haljun Memo was written, negotiations continued for over four more years. During that time, another two draft license agreements (of a total four) were prepared by Lyrick, but never signed by either Lyrick or BIP.

REASONS TO DENY THE WRIT

This case involves no unsettled or important principles of federal law and presents no jurisprudential disagreement. The Fifth Circuit decided the dispute according to settled copyright, statutory principles. The petition for writ of certiorari does not meet the requirements for review set forth in Rule 10 of the Rules of the Supreme Court of the United States.

Lyrick complains that an internal memorandum that it received only in the course of discovery after the litigation began somehow satisfied the requirement of Section 204(a) and that Fifth Circuit erred when it held that such a memorandum was not a valid transfer of copyright ownership under Section 204(a). Lyrick's "question presented" mischaracterizes the decision of the Fifth Circuit, the bases for that court's decision and the decisions of the other Circuits on that issue. The Fifth Circuit broke no new ground here. It reached a conclusion based on the record before it and the plain language of Section 204(a) of the Copyright Act. That decision is consistent with the decisions of the other circuit courts. And, the Fifth Circuit's decision fosters the core principles of the Copyright Act.

I. The "Question Presented" by Lyrick Is Based Upon A Mischaracterization of the Fifth Circuits' Decision and Is Not Raised by the Decision Below.

Petitioner's "Question Presented" to this Court mischaracterizes the decision of the Fifth Circuit and the basis for that decision. The Fifth Circuit did not decide that, as a matter of law, a post-transfer memorandum can only satisfy Section 204(a) in infringement actions against third parties and not in breach of contract actions between an alleged licensor and licensee. Rather, the Fifth Circuit found in this case, and on these facts, that the Haljun Memo was "not the kind of memorandum of transfer envisioned by Section 204(a)." 420 F.3d at 396 (Pet. App. 13a).

Relying on *Konigsberg Int'l v. Rice,* 16 F.3d 355 (9th Cir. 1994), the Fifth Circuit explained, "not all documents

referring to the existence of a contract, or even admitting that an agreement existed, will constitute a sufficient note or memorandum of transfer." 420 F.3d at 394-95 (Pet. App. 11a). Further, relying on *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990), *cert. denied sub nom., Danforth v. Cohen*, 498 U.S. 1103 (1991), and *Radio Television Espanola S.A. v. New World Entertainment, Ltd.*, 183 F.3d 922 (9th Cir. 1998), the Fifth Circuit ruled that Section 204(a)'s requirement for a valid copyright transfer was not met because "[s]atisfying §204(a)'s writing requirement with a purely internal memo that was never intended to be provided to Lyrick would not further the copyright goals of predictability of ownership." 420 F.3d at 396 (Pet. App. at 13a).

II. There Is No Conflict Between the Fifth Circuit's Decision and Decisions of Other Circuit Courts of Appeals

The Fifth Circuit expressly relied upon and followed the one reported federal case that deals with substantially similar facts involving a copyright owner's internal memorandum that was never communicated to the purported transferee. (420 F.3d at 394-95, Pet. App. 11a, citing *Radio Television Espanola S.A.*, 183 F.3d at 922). A California state appeals court has reached the same result. *See PMC, Inc. v. Saban Entertainment, Inc.*, 45 Cal. App. 4th 579 (1996) (holding that a writing needs to be communicated to the other party and intended as a memorandum of contract to be valid under Section 204).

The Fifth Circuit correctly concluded that the cases cited by Lyrick in which the courts found that a post-transfer writing satisfied Section 204(a) were distinguishable and

irrelevant because in those cases "the party challenging the writing has been an alleged infringer who is an outsider to the deal." 420 F.3d at 394 (Pet. App. 9a). In those cases, the transferor and transferee agreed that a transfer occurred (thus there was no uncertainty of ownership), and both parties subsequently executed and communicated a clear and unequivocal writing confirming the prior transfer in order to enforce the copyright against a third party infringer. *See, e.g., Eden Toys, Inc. v. Floralee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982).

Distinguishing these decisions from the facts in this case does not create a conflict among the Circuits and other decisions have also made this distinction. *See, e.g., Bieg v. Hovnania*, 157 F. Supp. 2d 475, 481-82 (E.D. Pa. 2001) (noting that plaintiff's reliance on *Magnuson v. Video Yesteryear*, 85 F.3d 1424 (9th Cir. 1996), was misplaced because in that case "there was no dispute over the intent of the parties, because the alleged transferor and transferee were one and the same individual.")

III. The Position Advanced by Petitioners Is Contradicted by the Plain Meaning of Section 204(a) and Would Violate Core Principles of the Copyright Act.

Petitioners argued before the Fifth Circuit, and would have this Court rule, that an internal memorandum of a purported copyright transferor, even if never communicated until obtained in litigation discovery, would validate an otherwise invalid oral exclusive transfer of copyright. Such a rule leaves itself open to mischief and violates core principles of the Copyright Act. Under the Copyright Act, an oral agreement that purports to grant an exclusive license is unenforceable by either the transferor or the

transferee. *See, e.g., Glovaroma, Inc. v. Maljack Prods., Inc.*, 1998 WL 102742 at *3 (N.D. Ill. 1998) (In an action brought by alleged transferor, it was held that "Section 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements.") (citing *Valente-Kritzer Video v. Pickney*, 881 F.2d 772, 774 (9th Cir. 1989)). However, under Lyrick's proposed rule, the transferor-plaintiff would always have the "option" of producing an internal memorandum validating the transfer even if such memorandum were executed after the commencement of litigation.

Petitioner's rule would allow a transferor to commence litigation over an oral agreement and then to confirm the grant of the oral agreement by preparing and signing a note or memorandum of the prior oral transfer. Surely the drafters of the Copyright Act did not believe that they were providing a one-way option that would allow transferors who wanted to sue on oral transfers of copyright to "validate" the oral transfer with a post-litigation written confirmation, but which would allow that same transferor to avoid liability if its transferee sued on the same oral transfer. Indeed, under Lyrick's proposed interpretation of Section 204(a), the transferor would not even have to resort to the ruse of a post-litigation memorandum to "validate" the oral exclusive license. According to Lyrick's "logic," the mere filing of a complaint alleging the prior oral transfer of copyright signed by the transferor's attorney would be a sufficient "note or memorandum of the transfer" signed by the copyright owner's agent and would thus alone satisfy Section 204(a). That is not, and should not, be the law.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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